

# **Perspectives on Systems of Care, Medi-Cal, and Medicare**

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## **What is a System of Care?**

A mental health system of care is both a conceptual model and a service delivery system for providing mental health services to a target population, usually individuals with the most severe mental disabilities. The essential components are a single point of responsibility for the client, coordination with other involved human service agencies, and decision-making based on an evaluation of outcomes. Other components of systems of care, which are also critical to any responsive mental health system, include meaningful involvement of clients and their families (as appropriate) in treatment planning, client-centered services, cultural competence, age appropriate services, and an array of services focused on the person's mental health treatment and other supportive services needed to maintain residence in the community. Funding for systems of care can come from a variety of sources. Federal, state, and private grants are often used to establish the infrastructure. Services are generally covered by the regular funding streams including realignment, state general funds for managed care, county general funds, grants, reimbursements from federal programs (Medicaid and Medicare), and other third party payors.

## **What is Medicaid or Medi-Cal?**

Medicaid is a health insurance program for low-income individuals established and funded through a state and federal partnership. States design their program within federal requirements through state plans or waiver requests. The federal Centers for Medicare and Medicaid Services approves and monitors compliance with the state plans and, if applicable, waivers. Federal law describes the services that may be considered "medical assistance" and included in a state plan. Medical assistance includes inpatient hospital services and physician services, but also provides options for services such as targeted case management and rehabilitative services. California's Medicaid program is called Medi-Cal. The State Department of Health Services (DHS) is the single state agency responsible for the Medi-Cal program and the Medi-Cal state plan, which includes rehabilitative mental health services and targeted case management services for beneficiaries who have mental disorders. DHS delegates responsibility for the administration of most Medi-Cal specialty mental health services, including rehabilitative mental health services (called the Rehab Option) and targeted case management, to the State Department of Mental Health (DMH). Beginning in November 1997, these services have been provided by Mental Health Plans, i.e., county mental health departments under contract with DMH, through approved federal freedom of choice waivers. The Medi-Cal program, both under the state plan and the current federal waivers, allows more flexibility in the delivery of services than the Medicare program (described below), particularly with regards to the responsibilities of

licensed mental health professionals for supervision of services by other professionals or by non-licensed individuals and the sites where services can be provided.

### **What is the difference between the Clinic Option and the “Rehab Option” under Medi-Cal?**

From 1971 through 1993, California’s Medi-Cal reimbursement for public mental health services was based on the clinic option, one of the Medicaid services that states may include in their Medicaid state plans. California’s clinic option required that services had to be directed by a physician, provided primarily in a clinic, and focused primarily on the treatment of the mental disorder. In 1989, California added targeted case management for individuals with mental disorders to its state plan. This allowed federal reimbursement for the critical case coordination services provided to individuals with mental disorders by county mental health programs. In July 1993, California proposed and received federal approval for a change in the Medicaid state plan from the clinic option to the Rehab Option, which covers rehabilitative mental health services. Services under the Rehab Option are directed by licensed mental health practitioners, may be provided almost anywhere in the community, and may be focused both on the treatment of the mental disorder and the associated functional limitations that may jeopardize community living.

### **What is Medicare?**

Medicare is a federally funded national health insurance system for people who are elderly or disabled. Like many private insurance programs, Medicare has established coinsurance and deductible amounts that must be paid by the covered individuals directly, through private supplemental insurance, or, in the case of individuals also covered by Medi-Cal, by the Medi-Cal program. The state has no direct role in the relationship between the provider and a Medicare fiscal intermediary. Medicare also includes an option for individuals to enroll in Medicare managed care plans. Individuals on Medicare, particularly disabled individuals, may qualify for services in California’s public mental health system.

### **Are public mental health services eligible for Medicare reimbursement?**

County mental health programs may receive Medicare reimbursement when they meet the applicable federal qualifications as outpatient hospital clinics, community mental health centers, or through billings from individual practitioners. Although initially many counties chose to bill Medicare as community mental health centers, most have discontinued that practice because of significant paperwork requirements and intense medical review by the Medicare fiscal intermediaries. Most outpatient public mental health services provided to clients on Medicare in California are currently billed only through qualified independent practitioners. When billing as an independent practitioner, that individual must provide the service or be directly supervising the provision of the service by another qualified individual. Counties must work directly with

the Medicare fiscal intermediary of the federal Medicare program to ensure that Medicare standards are met.